



CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

November 6, 2000

S. 1088 **Arizona National Forest Improvement Act of 1999**

As cleared by the Congress on October 23, 2000

SUMMARY

S. 1088 would authorize the Secretary of Agriculture to sell or exchange about 858 acres of land and administrative sites in the National Forest System and to acquire other land and administrative facilities through purchase or exchange.

CBO estimates that enacting S. 1088 would reduce direct spending by about \$5 million in 2001, but that amount would be more than offset by costs in subsequent years for a net increase in spending of \$3 million over the 2001-2010 period.

ESTIMATED PAY-AS-YOU-GO IMPACT

CBO's estimate of the impact of S. 1088 on direct spending is shown in the following table. Only the estimated changes in the budget year and the succeeding four years are counted for pay-as-you-go purposes. The costs of this legislation fall within budget function 300 (natural resources and environment).

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | |
|---------------------|----------------------------------------|------|------|------|----------------|------|------|------|------|------|
| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| Changes in outlays | -5 | 0 | 1 | 3 | 2 | 1 | 0 | 0 | 0 | 0 |
| Changes in receipts | | | | | Not applicable | | | | | |

BASIS OF ESTIMATE

Section 3 of S. 1088 would authorize the Secretary of Agriculture to sell or exchange about 558 acres of land within several national forests in Arizona that are currently used as administrative sites. The legislation would authorize the Secretary to either accept cash equalization payments that exceed 25 percent of the value of the sites or acquire existing or future administrative facilities and improvements in exchange for the sites. Any proceeds from the sale or exchange of the sites could be spent by the Secretary without further appropriation to construct or improve offices or other administrative buildings for certain national forests in Arizona or to acquire lands or interests within that state. Based on information from the Forest Service, CBO estimates that selling those administrative sites would increase offsetting receipts by about \$12 million over the 2001-2003 period. We estimate that the agency would spend those receipts during fiscal years 2001 through 2005.

Section 4 would authorize the Secretary to sell about 300 acres of federal land to the city of Sedona, Arizona, and would allow the Secretary to keep and spend the proceeds for the same purposes mentioned above. According to the Forest Service, the agency plans to use its authority under current law to exchange a portion of those lands for certain lands of equal value owned by the city. For this estimate, we assume that those lands would be exchanged during fiscal year 2001 and that the agency would sell to the city, for fair market value, the remaining portion of lands in that year. We estimate that the sale would generate proceeds totaling about \$2 million in 2001, and that those amounts would be spent during the 2001-2004 period. Because the city currently has a permit to use about 250 acres of those lands under current law, selling the land to the city would result in forgone receipts from permit fees totaling about \$250,000 each year once the conveyance is complete.

Under S. 1088, the city would have the option of paying the federal government for the property in up to seven annual installments, plus interest at a rate specified by the legislation. For this estimate, and based on information from the Forest Service, we assume the city would choose to finance the purchase of the property.

Under the Federal Credit Reform Act, a financing arrangement involving the sale of a governmental asset that defers payments for more than 90 days is considered a direct loan. That act requires agencies to pay the estimated long-term cost to the government of issuing a direct loan, calculated on a net present basis, excluding administrative costs, when the loan is issued. Based on information from the Forest Service about the estimated value of the lands involved, and the likelihood of repayment by the city, we estimate that the cost of providing this loan would be about \$400,000. Thus, we estimate that enacting S. 1088 would increase direct spending by that amount in 2001.

ESTIMATE PREPARED BY: Megan Carroll

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis